

## **DISTRIBUTED GENERATION CONTRACTS BOARD MEETING**

**Thursday, July 18, 2013**

**9:30-11:00 AM**

**Conference Room 300**

**RI Department of Environmental Management**

**235 Promenade Street**

**Providence, RI**

### **MINUTES**

**Board Members Present:** Ken Payne, Marion Gold, Bill Ferguson, Charity Pennock, Christine Malecki West, Hannah Morini, Samuel Bradner, Thomas Teehan, Sharon Conard-Wells,

**Attendees:** Chris Kearns, Michelle Carpenter, Stephen Wollenberg, Larry Dressler, Dan Richardson, Tim Faulker, Karen Bradbury, Corinne Abrams, Anthony Callendrello, Jerry Elmer, Ian Springsteel, Roy Dexter, Frank Epps, Anthony Paolantonio, Karen Hawes, Bob Cioe, Peter Bay, Scott Milnes, Allison Rogers, Alan Clapp, Jeff Taylor, Palmer Moore, Linda George, Keith Boivin, Jamie Fordyce, and Charles Hawkins

### **Introduction**

The Office of Energy Resources Commissioner, Marion Gold, welcomed the group to the first meeting of the Distributed Generation Board (DGB). This successful program has been in existence for almost two years. She said the challenges ahead include the potential to integrate distributed generation (DG) into our electric system in a way that is workable. She is also excited about integrating renewable energy into the RI State Energy Plan (RISEP). RI needs an energy system that is both reliable and sustainable. She then introduced the OER's Chris Kearns who has been working and overseeing the DG programs implementation, which was created by Ken Payne and an extensive involvement from the environmental and energy community.

### **Introduction of DG Board Members**

Chris K.'s then asked members to go around the table and introduce themselves. The DGB members are:

- Marion Gold, Commissioner of the OER
- Hannah Morini, from the Renewable Energy Fund (REF)
- Christine West of KITE Architects
- Sam Bradner of Peregrine Real Estate Group
- Sharon Conrad Wells, the Executive Director of West Elmwood Housing
- Bill Ferguson, Executive Director of the Energy Council of RI (TEC-RI)
- Tom Teehan. Regulatory Council for National Grid (NGrid)

- Charity Pennock, the RI State Coordinator for the New England Clean Energy Council
- Ken Payne, author of the DG legislation

Marion G. and Hannah M. are non-voting members. Marion G. said that materials on the DG program are already on the OER website, and all DGB meetings minutes will also be posted on this website.

### **Background on the DG Contracts Program**

Chris K.'s of OER gave this power point presentation (attached). The 40 Megawatt (MW) DG Program became law in June 2011, was launched in December 2011, and is scheduled to end in December of 2014. It was developed in 2011, lead by Ken Payne, with key input from stakeholders like the Conservation Law Foundation's Jerry Elmer. There are up to three enrollments per year with 5MW in 2011, 15 MW in 2013, and 10 MW in both 2013 & 2014. DG projects are being built in 12 towns and they have been proposed in 24 towns. In 2013 there have been two enrollments in March & June with the last scheduled in September.

The overall trend has seen the prices for the DG projects decrease, which was one of the objective of the DG law. Ceiling prices are anticipated to decline with the 2014 DG program. The most dramatic decrease has been in the large solar projects over the first two years. The General Assembly (GA) wanted to see a gradual decrease in prices, with competition driving down costs.

### **2013 Legislative Changes to the DG Contracts Program**

The OER introduced legislation that made adjustments and improvements to the DG program which passed the GA this session and was signed by Governor Chafee. The amendments included the following:

1. Competitive bidding for the small DG projects under 500 KW to help drive down the prices.
2. Small scale hydro projects, which needed to be completed in 18 months under the old law, now have up to 48 months to complete their projects. This was done because small hydro projects need more lead time, due to the state and federal permitting process.
3. Language was also included that requires NGrid, on request, to provide written feedback to developers on why their DG applications were not approved.
4. Reduces the eligible system size from 5 MW to 3 MW; which is a more approachable number. Another provision allows any unused MW from projects not completed to be used in the future, until those MW become operational.

5. Removes the performance guarantee that requires DG systems to produce 100% of what was proposed in the application and lowers it to 90%. This was a stakeholder request that allows flexibility to RE developer when things like a PV panel needs to be removed for siting purposes.
6. Extended the remaining MW under the Long-Term Contracting law until December 2014, and have those MW be reviewed again during the 2014 legislative session, with any potential extension and expansion of the DG program.
7. Requires the OER submit an annual jobs, economic, and environmental study on the DG program. The study will be due to the Governor, Senate President and Speaker of the House by January 15, 2014.

Chris K thanked the House and Senate Policy Offices staff in attendance today for all of their support this past legislative session, and also to the environmental and energy community that was involved in the final bill that passed this session.

### **Plans and Next Steps for the Implementation of the 2014 DG Contracts Program**

For next steps, the OER has two recommendations to be voted on by the DGB at their next meeting:

- The first is to use the same consultants that developed the DG ceiling prices in 2011, 2012 and 2013 using the CREST model. This model is used by the National Renewable Energy Lab and is a peer review model that has been approved by the PUC for the last three years.
- The OER is also recommending requesting an extension in submitting the 2014 DG ceiling prices and program plan to the Public Utilities Commission (PUC) until December 12, 2013. It is currently due to the PUC on October 15, 2013.

The reasons for this request are:

- Uncertainty over what the federal government is going to do about various RE incentives like the Production Tax Credit, the Investment Tax Credit and bonus depreciation.
- It allows the 2014 DG Program to factor in possible MW from solar projects awarded in April 2012, which have 18 months to get built, that may not get built.
- It allows proper time to review the results of the 2013 DG program and the MW that may be available after the September enrollment. In October, they will not know how many MW will be available and wind and Anaerobic Digestion may have remaining KW.

The OER would like the DGB to vote on these recommendations at their next meeting. Marion G. said the OER is awaiting confirmation from the Governor on the organization of the DGB which include designating a chairman and vice chairman. A next step is determining if the DGB wants to have standard monthly meetings like the EERMC or meet quarterly. She thinks monthly meetings will be required during the next four

months when the plan is being developed. After that, they could time meetings in conjunction with enrollments to discuss the results

Ken P. felt it was prudent to ask for an extension because you do not know if the PUC will rule favorably. He believes it will allow the time to get the work done. He said the DGB is going to have judgment calls in regard to weighing certain variables that have been previously made by OER staff. One example is capacity factor. If there is a range of where things are coming in with the industry you need to look at it. You don't want to be at the top or bottom of the range, but somewhere in between. These will be matters that the DGB will have to deliberate on and they are not easy to figure out. However, they drive the ceiling prices-whether they go up or down. He feels it is necessary for the DGB to have a vibrant set of meetings in the first 60-90 days. This will allow for stakeholder vetting of the recommendations before they go to the PUC. This will be challenging for the first round but the result will be a more democratic and open process with the DGB coming up to speed in how the process works

Bill F. agreed with Ken P. that the consultants used for the last three years have been excellent and they helped all of the stakeholders understand the variables involved in setting ceiling prices. They did a good job of sorting out stakeholder feedback and they made the CREST model easier to understand. He felt their decisions were reasonable and based on good data. He would be in favor of keeping the same model, consultants and a similar process with stakeholder feedback. He also feels asking for the extension is important for all of the reasons Chris K. cited. He said the PUC approved an extension last year and are even more likely to OK one this year if a legislatively created board recommends it.

Chris K. said if the PUC does not OK the extension the work could still be done by October 15th but it would be very tight timetable. By statute, the OER is required to have a stakeholder meeting to review the prices before the final filing and this would make it even tighter. This is done to allow vetting of the plan by stakeholders before the filing to prevent objections at the PUC hearing. Charity P. said that if the plan is submitted on December 15<sup>th</sup> and the PUC has 60 days to approve, then the first enrollment would not be until March 2014. Chris K. said it could be late February or early March. NGrid's Corinne A. said that it was prudent to wait and see what the market is doing.

Bill F. would like to get a spreadsheet from NGrid with program to date information on how many applications were received, how many of them were approved, and then how many were actually build with a total MW. Chris K. said that OER works with NGrid to keep updated on this data.

Marion G. said that Chris K. would be happy to sit down and brief all members new to the process on these complicated issues. She also wanted to echo Bill F.'s comment on the consultants who she felt did an excellent job in their testimony to the PUC. She feels this is important with two new PUC members. She also thought it would be useful for

NGrid to make a presentation at the next DGB meeting on the program with lessons learned to date.

Hannah M. said it would be helpful if everyone on the DGB could see a list of topics that could come up for potential votes that members should read up on. She feels it is important for everyone on the DGB to have the same information. Chris K. said that when OER worked on the original DG program they worked in close coordination with the REF so projects that may not be selected for the DG program, like small solar, would have another avenue. Other projects could also receive REF feasibility study funding.

Ken P. said it would be useful if DGB members received material about the CREST model; which is nationally recognized and whose authors are our consultants. There is no question about the quality of their expertise. But it is a model and people should understand what is in it. He said another thing members should have is a copy of the standard contract and also of the rules and regulations for the program, so everyone on the DGB has the same package. The pieces all fit together and have a bearing on each other.

Chris K. asked NGrid what the timeline was to amend the standard contract to reflect changes in statute because it has to be filed with the PUC. Tom T. said that the changes were filed on October 15th, to reflect the competition bidding for small DG. Corinne A. said that the NGrid website has all of this information posted along with other relevant information on the program. Chris K. said that the OER website has links to Dockets 4277 and 4288 which deal with the DG program. There is also extensive information about the program on the OER website, including past presentations.

Sam B. suggested an interim discussion, two weeks out, on the two items the DGB will be voting at their next meeting. He wants to understand what the DGB will be voting on. Marion G. said that the OER will have a packet for the DGB. Charity P. thought it would be great if NGrid could give a presentation, especially on projects that are not going to be built, and lessons learned and trends and issues that are coming up. Marion G. said that it fits in nicely with the work of the RISEP and she cited barriers in coordinating with municipalities.

**Ken P. made a motion to adjourn, it was seconded by Bill F. and was approved unanimously. The meeting was adjourned at 10:25 AM**